

## ATTACHMENT B

### INTEREST RATE SUBSIDY COMPUTATION METHODOLOGY

The following describes the procedures used to determine for each of the Subsidized 2005 D Local School Bond issues (i) the principal repayment schedules and aggregate principal amount and (ii) the amount of the Interest Rate Subsidy. The purpose of this description is to delineate the methodology used to determine for each issuer of Subsidized 2005 D Local School Bonds receiving a subsidy (each a “Subsidized 2005 D Local Issuer”) the sources of funding and required repayment of the Subsidized 2005 D Local School Bonds by the Subsidized 2005 D Local Issuer all as part of an interest rate subsidy program (the “Program”) designed to provide funding for certain Literary Fund First Priority Waiting List Projects at interest costs equal to the Subsidized 2005 D Local Issuer’s Literary Fund loan rate.

**(1) Determination of Project Cost and Target Subsidized 2005 B Local School Bond Payment Schedule.** For each Subsidized 2005 D Local Issuer, determine the periodic payments of principal and interest that would have been paid on a single Literary Fund loan at the Subsidized 2005 D Local Issuer’s Literary Fund loan rate which loan is in an amount equal to the sum of all Literary Fund First Priority Waiting List projects being funded for such Subsidized 2005 D Local Issuer through the Program (the “Total Project Cost”). It is assumed that the Literary Fund loan would close and pay debt service on the same dates as the Subsidized 2005 D Local School Bond issue. The present value of these debt service payments as of the Subsidized 2005 D Local School Bond closing date is then computed, using as a discount rate the average yield of the Subsidized 2005 D Local School Bonds (i.e., the “arbitrage yield” on the Series 2005 D Bonds plus 0.10% (the “Discount Rate”)).

**(2) Determination of Program Expenses.** For each Subsidized 2005 D Local Issuer, the costs of issuance and ongoing expenses associated with issuing the Subsidized 2005 D Local School Bond issue that would not have been incurred if funds were borrowed through the Literary Fund are assumed to be \$6,500 payable at closing.

**(3) Determination of Principal Repayment Schedule and Aggregate Principal Amount of each Subsidized 2005 B Local School Bond Issue.** For each Subsidized 2005 D Local Issuer, the schedule determined in paragraph (1) above shall be the target amount of annual debt service per fiscal year for the Subsidized 2005 D Local School Bond. Using the actual interest rates on the Subsidized 2005 D Local School Bond issue (i.e., the interest rates on the Subsidized Series 2005 D Bonds plus 0.10%), the principal repayment schedule for each issue is structured, except for the first principal payment, such that the total annual debt service on the Subsidized 2005 D Local School Bond issue is approximately equal to target debt service as described in the first sentence of this section (principal payments are rounded in multiples of \$1). The first principal payment amount shall be adjusted such that the present value of the total Subsidized 2004 B Local School Bond debt service is less than present value of the total target debt service when discounted on a semi-annual basis at the Discount Rate. The aggregate principal amount of each Subsidized 2005 D Local School Bond issue is equal to the sum of these periodic principal payments.

**(4) Determination of Interest Rate Subsidy for each Subsidized 2005 D Local Issuer.** For each Subsidized 2005 D Local Issuer, the amount of its Interest Rate Subsidy is equal to the Total Project Cost plus the incremental costs of issuance associated with the Subsidized 2005 D Local School Bond issue described in (2) above less the purchase price of such Subsidized 2005 D Local School Bond issue determined in (3) above.